Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 LIMA 03479 212237Z
ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 TRSE-00 NSC-05 EB-08 CIAE-00
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C O N F I D E N T I A L LIMA 3479

E.O. 11652: GDS
TAGS: EGEN EFIN PE
SUBJ: PERU'S FINANCIAL CRISIS: NEW ECONOMIC MEASURES ABOUT TO BE ANNOUNCED

REF: LIMA 3443

BEGIN UNCLASSIFIED 1. THE MAGAZINE CARETAS IN ITS ISSUE OUT APRIL 21 ASSERTS THAT THE GOP HAS NOW DECIDED TO RAISE THE PRICE OF GASOLINE TO SOLES 110 PER GALLON AND PERHAPS TO TAKE OTHER CORRECTIVE MEASURES. ACCORDING TO THE CARETAS ACCOUNT, THE CABINET HAD BEEN LEANING TOWARD DOING NOTHING UNTIL AFTER THE ELECTIONS BUT RE-CONSIDERED AFTER EXPOSURE TO THE REPORT SUBMITTED BY FORMER DUTCH FINANCE MINISTER DUISENBERG. MORALES BERMUDEZ PURPORTEDLY CONCLUDED THAT WITH "EACH PASSING WEEK WITHOUT RELIEF AN ECONOMIC DISASTER 90 DAYS HENCE" IS MORE LIKELY.

2. THE CARETAS VERSION OF THE DUISENBERG REPORT SQUARES WITH OTHERS NOW CIRCULATING, PARTICULARLY IN THE EMPHASIS ON THE FORMER MINISTER'S CONCLUSION THAT WITHOUT THE "BENEDICTION" OF THE IMF, PERU CANNOT EXPECT TO OBTAIN NEW LOANS OR TO BE ABLE TO RESTRUCTURE ITS DEBT. THE MAGAZINE ASSERTS THAT DUISENBERG CONFIDENTIAL

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PAGE 02 LIMA 03479 212237Z

RECOMMENDED THAT THE GOP RENEGOTIATE ITS CONTRACTS WITH OCCIDENTAL PETROLEUM, CHARACTERIZING THESE AS BEING TOO "ONE-SIDED". CARETAS, AS HAVE THE PUBLICATIONS EQUIS-X AND THE LIMA TIMES, REPORTS THAT DUISENBERG ADVOCATED THE REPLACEMENT OF THE CURRENT GOP FINANCIAL TEAM BY A GROUP OF MORE QUALIFIED PEOPLE. END UNCLASSIFIED.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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3. OUR INDEPENDENT SOURCES GENERALLY REFLECT
THE CARETAS ACCOUNT. THEY REPORT THAT THE
ECONOMIC PACKAGE ALLEGEDLY CONSISTS OF A
CONTROLLED FLOAT OF THE SOL (TO 140/$
FOR TWO WEEKS OR SO AND MOVING TO ABOUT 160/$
BEFORE A NEW GENTLEMEN'S AGREEMENT IS ARRANGED);
AN INCREASE IN THE PRICE OF REGULAR GASOLINE TO
120 SOLES PER GALLON (VICE 110 AS REPORTED BY
CARETAS), TAX INCREASES, AND SELECTIVE PUBLIC
SECTOR EXPENDITURE CUTS. SAME SOURCES REPORT
THAT NO DECISIONS HAVE YET BEEN TAKEN ON CERTEX
OR INTEREST RATES. THERE IS UNCERTAINTY AS TO
WHEN THESE MEASURES MIGHT BE ANNOUNCED -- AND EVEN
MORE UNCERTAINTY AS TO WHEN THE NEW TAX MEASURES
AND BUDGET CUTS MIGHT BE IMPLEMENTED, THOUGH SOME
BELIEVE THAT THE MINISTER OF ECONOMY AND FINANCE
MIGHT MAKE A PUBLIC STATEMENT EARLY NEXT WEEK.
ACCORDING TO THESE SOURCES, THE PRESIDENT AND
SENIOR MILITARY LEADERS (THE "PENTAGONITO") AGREED
TO THE ABOVE-DESCRIBED MEASURES AT MID-WEEK, AND
ARE ENGAGED TODAY (APRIL 21) AND TOMORROW IN
EXPLAINING THEM TO THE COUNCIL OF MINISTERS (REFTEL).

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4. COMMENT: THE ELECTIONS ARE CLEARLY THE
PRESIDENT'S FIRST PRIORITY. HIS FEARS OF WHAT A
HIKE IN GASOLINE PRICES WOULD DO TO THE ELECTORAL
CLIMATE ACCOUNT AT LEAST TO SOME DEGREE FOR THE
AGONIZING BACKING AND FILLING OF THE LAST THREE WEEKS.
WHETHER THE MILITARY GOVERNMENT HAS IN FACT NOW BITTEN THE
BULLET REMAINS TO BE SEEN. THE CARETAS ARTICLE
IMPLIES IN ANY CASE THAT THE OPTION OF GOING
AHEAD WITHOUT THE IMF IS STILL UNDER CONSIDERATION,
THE ARGUMENT BEING THAT WHAT THE FUND IS
"DEMANDING" CANNOT BE ACCOMPLISHED WITHOUT
"INSTALLING THE MOST REPRESSIVE OF DICTATORSHIPS".

5. WE HAVE HEARD FROM OTHERS THAT THE DUISENBERG
REPORT ADVOCATES RENEGOTIATION OF THE OCCIDENTAL
CONTRACTS. IT IS PERHAPS SIGNIFICANT IN THAT RESPECT THAT
THE FOREIGN MINISTER COMMENTED TO THE AMBASSADOR AND MIAMI
MAYOR FERRE DURING A DISCUSSION OF PERU'S PETROLEUM
PROSPECTS THAT THE GOP SHOULD SEEK THE ADVICE OF OPEC
IN MAKING ARRANGEMENTS WITH FOREIGN OIL COMPANIES.
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EO Systematic Review
20 Mar 2014
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